

Facilitating Investment in the Tumen Region

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Relative to initial expectations, investment in the Tumen Region has been disappointing. Relative to more realistic measures, investment in the Tumen Region has been unspectacular but solid. The Tumen Region has grown respectably. The problem is that this growth has been concentrated in one area of the region: Yanbian Korean Autonomous Prefecture of Jilin Province, China. The other components of the Tumen Region have had a very difficult time throughout the 1990s. Foreigners have invested more than US\$1 billion in the region over the past four years, about half of which was in Yanbian Prefecture. Thus the Tumen region must be viewed with cautious optimism.

Perhaps of greatest significance is progress towards realization of the Tumen transport corridor. China is investing heavily in the corridor and a major highway will be completed within the next two to three years. If Russia and DPRK can complement China's efforts, a highly competitive transport corridor for Northeast Asia will result.

Such developments, and measures such as adopted by China to promote growth of slow-growth areas, are what will ultimately determine investment in the Tumen region and surrounding hinterland. Most importantly, national and local governments that share the Tumen region must create a positive investment climate. This is largely a national concern, but there are also regional cooperation initiatives that can help strengthen the climate. Two such initiatives currently under way under the auspices of the Tumen Programme are:

DEVELOPMENT OF A JOINT STRATEGY FOR THE TUMEN TRANSPORT/ECONOMIC CORRIDOR

To this end, governments in the Tumen region are working closely with the Tumen Secretariat, the Foreign Investment Advisory Service (FIAS) of the World Bank and the Economic Research Institute of Northeast Asia (ERINA). FIAS and ERINA are currently reviewing investment conditions in the region, noting in particular investment policies and procedures, the state of infrastructure and financial services, and the quality of the labor force.

In January 2000, a workshop will be held in Beijing for senior policy makers and local officials to work out a joint strategy to facilitate greater investment in the Tumen region. The strategy will address both weaknesses to be overcome and strengths to be built on. The macro-economic policy and regulatory framework, and infrastructure fundamental to business enterprise, are critical dimensions of

attracting domestic and foreign investment. These dimensions therefore will be the focus of the workshop.

IMPLEMENTATION OF THE TUMEN RIVER INVESTOR SERVICES (TRIS) NETWORK

The main output of the project will be a network of strengthened investor service centers operating throughout the Tumen region. The Network will be an open structure with each center independently managed and funded by its respective local government. However, by creating similar structures and networking their operations, the centers will be able to coordinate promotion strategies and marketing events. In addition to being affiliated with each other, each center within the network will be linked externally to regional business associations, other trade and investment promotion networks and expert networks.

The United Nations Investment Development Organization (UNIDO) and the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group are the Tumen Programme's two partners for establishment of the TRIS Network. These two organizations have recently completed a tour of the Tumen region, to diagnose the nature and extent of investor services in each of the four areas included for support in the Tumen Programme. Over the next 12 months, measures will be taken to strengthen the centers that already exist, and to establish centers where none now exist, such as in the Rajin-Sonbong zone of DPRK. In addition to local and regional investment promotion strategies, the centers will advance investment procedures for protection of the environment. Further, the centers will support a regional investor information network, including a regional website and database.

Much of the funding for these two investment initiatives is being provided by the government of the Republic of Korea. However, further funds are needed to fully implement the initiatives.